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ABSTRACT

Proposed changes in student financial aid for fiscal year (FY) 1986 and their likely effects on higher education are discussed. The Reagan Administration's FY 1986 budget recommends a 25% cut for higher education, or $2.3 billion below the adjusted FY 1985 level of $8.8 billion. All but $100 million of the cuts would come from student aid, and virtually all 5.3 million current recipients would be affected: students without any family resources, as well as students from many middle-income families. About 808,000 middle-income students would be ineligible for Pell Grants in academic year 1986-1987. Seven other aid programs, providing another 2 million awards for undergraduate and graduate students, would be abolished. Almost one million current borrowers would be removed from the Guaranteed Student Loan program by capping eligibility at adjusted gross family incomes of $32,500. A $4,000 cap would be imposed on the total aid any student could receive from all federal programs. All Higher Education Act categorical programs would be terminated except for Title III grants for developing institutions. Additional changes and specific funding levels and modifications for each federal student aid program are covered, along with the effect of the plan on private institutions and community and technical colleges. (SW)

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THE EFFECTS OF STUDENT AID CUTS ON HIGHER EDUCATION: A POSITION PAPER

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THE EFFECTS OF STUDENT AID CUTS ON HIGHER EDUCATION: A POSITION PAPER

ABSTRACT

The United States appears to be disinvesting in the future of American education. The proposed cuts in governmental aid will adversely affect millions of people in our country. Like a child learning to walk, the system seems to take one step forward only to stumble back twofold. In the 1970's the government increased financial support to education. Now in the 80's they are threatening to reverse the progress that was made. President Reagan's Fiscal Year 1986 budget recommends deep cuts which will have a detrimental long term effect on students, parents, schools, lending institutions and society as a whole. This paper presents a position which is opposed to such measures. The havoc to be reaped on the educational system, by the cut backs, will be readily visible to the reader. This document will describe the various changes in student aid which are proposed, and the areas of society which will feel the shock waves of such curtailments. The positive aspects of continuing financial support are presented by a long term projection of benefits to the government; based on Louisiana figures.

DEFINITION OF THE PROBLEM

Everyone knows that in today's information society, acquiring a college education is no longer primarily a way of entering this nation's sunny dreamland. More and more, acquiring

estimated that approximately 65 percent on the nation's 1980 high school graduates from low-income families status went on to postsecondary education. That is a step forward, but not far enough forward. It is still easier for high ability students to get into college if they are comfortably middle class; and it is even easier for students from upper income families. Almost 100 percent of the students from these families go on to college.

These figures are an insult to the ideal of equity. They are an insult to democracy. They suggest that we are still comforting the comfortable, and afflicting the afflicted. For the wealthy, the doors to higher education are open wide. For others, those doors are locked.

As a result, today, instead of debating how to move our nation forward in education, there is a great debate over whether education has already gone too far; too far toward equity, too far toward giving each and every student an opportunity for a quality college education, and too far toward justice.

WHAT DO THE STUDENT AID CUTS MEAN?

I. Effect on Higher Education

President Reagan's Fiscal Year 1986 budget recommends deep cuts for higher education: down 25 percent, or $2.3 billion below the adjusted Fiscal Year 1985 level of $8.8 billion. All but $100 million of the cuts would come from student aid. Virtually all 5.3 million current recipients would be affected: students without any family resources would have their aid reduced, and students from many

a college education is a way of escaping the darkness of poverty and social exclusivity that still scar our national scene.

The college sheepskin has, in effect, become protective clothing. It is believed this clothing must not simply be on sale to the wealthy. A college education must be available to every American young person with the determination and skill to earn it. However, determination and ability alone will not suffice. There's another prerequisite called money.

It used to be that when a student was leaving high school, he often found the family unable to finance a college education. He knew that his future hinged on finding financial assistance. He found that assistance through the GI bill, the National Defense Education Act, National Science Foundation fellowships, and direct student grants and loans. Without these federal student aid programs, the face of the academic community today would look quite different.

A glance at only a small part of the evidence justifies that assertion. More than twenty years ago, immediately before the passage of the landmark Higher Education Act, the Department of Health, Education, and Welfare published a study showing that among students with high ability, those in the top quarter of income distribution had a 90 percent chance of going to college. Those in the bottom quarter of income, at the same level of achievement, had only a 42 percent chance.

These percentages have changed since 1964, thanks to federal student aid programs. The National Student Aid Coalition has

middle-income families would become ineligible for grants or subsidized loans. Special programs to prepare disadvantaged students for college and provide supportive help for them to complete their education would be cut back 53 percent.

Some 808,000 middle-income students would be dropped from eligibility for Pell Grants in Academic Year 86-87. Seven other aid programs, providing another 2 million awards for undergraduate and graduate students, would be abolished. In addition, the budget would reduce entitlements for all Pell Grant recipients in Academic Year 85-86 by asking Congress to scale back from $2,100 to $2,000, the increase in the maximum grant provided in the Fiscal Year 1985 appropriation.

Almost one million current borrowers would be removed from the Guaranteed Student Loan program by capping eligibility at adjusted gross family incomes of $32,500. Interest rates would be raised for all future borrowers. Recommended cuts in the special allowance for lenders pose a serious question as to whether banks would continue to participate in the program.

A $4,000 cap would be imposed on the total aid any student could receive from all federal programs. It is estimated that this would reduce awards an average of $1,200 for some 430,000 undergraduates, half of whose family incomes are below $12,000. Sixty percent of those affected would be needy students attending independent institutions;

their average loss would approach $1,400. An estimated 200,000 graduate students would be affected by the cap. About two-thirds of the federally-aided graduate students attend independent institutions.

About a dozen categorical programs with modest funding totaling about $100 million, designed to strengthen academic quality (graduate fellowships, foreign language studies, support of research libraries, renovation of facilities, and the Fund for the Improvement of Postsecondary Education) would be eliminated.

Taken as a whole, the budget proposes a radical dismantling of the Higher Education Act and its complex array of programs intended to expand postsecondary opportunities and to provide institutional support in areas of national need. As restructured by the Reagan Administration, the Act would be stripped to a single categorical support program (developing institutions) and three student assistance programs: one for grants, one for work-study, and one for loans, with the grant and work programs to be turned over to the states by 1987.

A. Pell Grants

Under the Administration's Fiscal Year 1986 budget proposal, the Pell Grant Program would be funded at approximately $2,681 billion, a $644 million reduction from the Fiscal Year 1985 level. By the Administration's own estimates, 574,000 fewer student

awards would be available under the program, which would be limited to students from families with adjusted gross incomes of less than $25,000. A student would be required to contribute 40 percent, or a minimum of $800, of the cost of attendance, possibly through work, before receiving a Pell Grant. This self-help amount would be in addition to the family contribution. The maximum grant for the 1986-87 academic year would be $2,100, the same as 1985-86. A student's Pell Grant in combination with other federal aid could not exceed $4,000.

The proposal would raise the assessment rates on parental discretionary income 7 percent for income increments of $5,000 up to $15,000, and from 25% to 30% for incomes above $15,000. It would not allow a dependent student to be counted in the family size for the purpose of determining the amount a family can contribute to the cost of education for that dependent student.

For Fiscal Year 1986, the budget would restore the $2,100 maximum limit, but the proposed eligibility restrictions would reduce Pell Grant funding by about $684 million from the Fiscal Year 1985 level of $3,325 billion.

B. Supplemental Educational Opportunity Grants (SEOG)

Funds under this program are allocated, by

formula, among states and distributed to participating schools which use them to make awards to undergraduate students with demonstrated financial need. During 1985-86, approximately 720,000 students are expected to receive Supplemental Grants of about $550 each, totaling $412.5 million. More than 60 percent of the SEOG funds will go to students with family incomes below $18,000.

The Administration is not requesting any funding for this program in Fiscal Year 1986, but would allow schools, at their discretion, to utilize up to 50 percent of their work-study grants for such awards. Further analysis of the budget estimates reveals that the Administration is assuming that not more than $130 million will be used by schools for Supplemental Grants. Based on the current average award, this would mean that 483,637 students who are now receiving SEOG awards would be eliminated.

C. College Work-Study Program (CWS)

Funds are allocated, by formula, among states and distributed to participating schools. Schools must match the funds they receive by at least 20%. The resulting amount is then used to subsidize student jobs with non-profit employers. In order to be eligible for the program, a student must have demonstrated financial need. Undergraduate and graduate students can be

employed under this program. In 1985-86 it is estimated that approximately 788,000 students are being served by the program, and earning about $879 each. More than 65% of these funds are probably going to students with family incomes of $24,000 or less.

In 1986-87, the Administration proposes to change this program into a new one called "Work Study/Grants," and is requesting $850 million to fund it. Under their proposed policy, schools would receive a single annual allocation of funds instead of the current separate fund distributions for College Work-Study and Supplemental Educational Opportunity Grants.

From its single allocation, a school, at its discretion, would be able to expend up to 50% of its available funds for supplemental grants. Funds not expended for supplemental grants would otherwise be used for College Work-Study jobs and would have to be matched by at least 20% of institutional funds. Based upon the Administration's own budget estimate, not more than $130 million of the $850 million requested would be used for supplemental grants leaving $720 million to be used for Work-Study jobs. If institutions utilize the $720 million for jobs, then approximately 194,000 more students could be employed in Fiscal Year 1986 than are to be employed in Fiscal Year 1985.

On the other hand if institutions expend 50

percent of their funds on supplemental grants and 50 percent on Work-Study jobs, $59 million fewer matching dollars will be available for the Work Study/Grant Program than estimated by the Administration. Additionally, only 580,000 students would receive employment in 1986-87 as opposed to 788,000 in 1985-86, for a loss of more than 200,000 jobs.

D. National Direct Student Loans (NDSL)

Under this program, schools operate revolving student loan funds, capitalized in part with Federal contributions allocated among states, by formula, and distributed to participating schools. Loans are made to both undergraduate and graduate students who have demonstrated financial need. Most loans are currently financed by repayments; however, Congress also appropriated $190 million in new capital contributions last year thereby making a total of $841 million available for lending in 1985-86. From that amount, approximately 956,000 students will borrow an average loan of $880. The President's Fiscal Year 1986 budget does not request any new Federal capital contributions; therefore, more than 143,000 fewer students will be able to borrow National Direct Student Loans in 1986-87.

Institutions will be permitted to use their revolving funds under the NDSL Program to make new

loans to students in 1986-87; however, under the Administration's plan, the interest for these loans will be increased from the current 5 percent rate to a new rate based upon the average bond equivalent rates of 91-day Treasury bills auctioned during the quarter ending March 31, 1986 and rounded to the nearest whole percent. (Note: At current rates, students would pay 8 or 9 percent.)

E. State Student Incentive Grants

This program uses formula grants and matching state funds to provide need-based grants to students. In 1985-86, total state grant payout will be more the $1 billion of which $76 million is from Federal funds. All states and territories participate in the program; however, states vary widely in their support for student grants. A few states with mature grant programs account for most of the overmatch. In about one-half of the states, particularly those with newer programs, SSIG and state matching continue to make up a major portion of the state grant effort. The average award is approximately $520, and more than 50% of all SSIG funds are given to students from families with incomes of under $9,000. The Administration is not requesting any funds for this program in its Fiscal Year 1986 budget. As such, more than 304,000 students would have their state grant awards cut in half or eliminated all

together.

A recent report interviewed officials who administer the program in all fifty states. Twenty-two of the officials believed that ending the program would greatly reduce the number of students receiving state scholarships or limit the amount of money they received. Administrators in twelve states felt that their legislatures would end the program if they lost the Federal contribution. Officials in only nine states said that ending the program would not severely affect their state assistance to students.

F. Guaranteed Student Loans (GSL)

This program is designed to promote the availability of loans from banks and other lenders, to students and their parents, to help meet postsecondary expenses after taking into consideration family financial resources and other forms of student assistance. This is accomplished through the provision of Federal reinsurance against borrower default as well as through various forms of Federal subsidy payments. The program is primarily administered by state and private nonprofit guarantee agencies, which serve as intermediate loan insurers, defaulted loan collectors, and providers of various services to lenders.

Two types of Guaranteed Student Loans are currently available through the program. The first is

the Guaranteed Student Loan (GSL), which the Administration refers to as "Regular Loans" throughout the Fiscal Year 1986 budget documents. The second type of loan that is available is the PLUS (Parent Loans to Undergraduate Students, or Auxiliary Loan). Under this loan program currently, certain students and parents can borrow less-subsidized loans. Under the GSL or "regular loan" program, undergraduate and graduate students may borrow subsidized loans to meet their educational expenses. Since 1981, students with family adjusted gross incomes of $30,000 or more have had to undergo a financial needs test to receive a GSL. Undergraduate students can currently borrow up to $2,500 annually, while graduate and professional students may borrow up to $5,000.

The President's Fiscal Year 1986 budget would impose a financial needs test upon all students who apply for the program. Also, students from families with adjusted gross incomes of $32,500 or more would not be eligible for the program in 1986-87, regardless of the amount of their financial need. Middle income families with two working parents and more than one child enrolled in postsecondary education will be hurt significantly by this arbitrary income ceiling. The Administration's budget documents show that only 326,000 fewer students will be served by the program

with these changes in Fiscal Year 1986 than were served in Fiscal Year 1985. However, in another reference the budget notes that 30% of all current GSL's go to families with incomes above the prescribed level. If the 30% figure is correct, then 967,000 students would be forced out of the Guaranteed Student Loan program rather than the 326,000 shown in the budget documents. Another plausible explanation for this discrepancy is that because so many students will be force out of eligibility for the Pell Grant and campus-based programs under the Administration's Fiscal Year 1986 budget, that the Education Department is assuming most of these students will be forced into the GSL program, thereby replacing those students who are currently being served, and who will be eliminated under the new GSL restrictions.

Under the current GSL program, the Federal government pays the interest obligation (currently 8% on new loans) of eligible borrowers while they are in school, and during defined grace and deferment periods. Since 1981, Federal interest benefits costs have been offset by an up-front 5% loan origination fee that is paid by the borrower on the amount of the loan principal. For 1986-87, the Administration has proposed that the current fixed rate of interest be changed to the amount of the average of the 91-day Treasury bill

notes for the quarter ending March 31, 1986, rounded to the nearest whole percent. It can be assumed that this change is designed to protect the Federal government from financial exposure during future periods of high interest rates, but it also will impose a variable rate loan note upon students rather than the current fixed rate note.

Currently, the Federal government also pays lenders a quarterly special allowance throughout the life of each loan. Under current law, this allowance assures the holder of the note a yield equal to the current 91-day Treasury bill rate plus 3 1/2%, or the interest rate on the loan, whichever is higher. The President's budget proposes to change this rate to 1 1/2% during the time the student is in school, grace, or deferment periods, and 3% while the student is in repayment status. This change will significantly reduce the yield on the program to the holder of the note. Additionally, the Administration proposes to require all lenders to disburse GSL's in multiple disbursements rather than in a single lump sum. This change will certainly help to reduce the amount of future defaults, but it will also increase the administrative cost to the lender. When coupled with the proposed reduction in the Special Allowance and other administrative changes, the net yield to most lenders will be reduced to a

level that will likely discourage many of them from participating in the program.

The second type of loan available under the Guaranteed Student Loan program is the PLUS (Parent Loan to Undergraduate Students of Auxiliary Loans). Currently, under this program loans are available, with proof of financial need, to parents of undergraduate students, independent undergraduates, and graduate and professional students. Currently the borrower's interest rate on the program is 12 percent. Parent borrowers under this program are required to begin making payments of principal and interest within sixty days after the loan is advanced. Student borrowers are only required to make periodic interest payments within sixty days of the disbursement of the loan proceeds. Upon leaving school the student borrower's payments include both amortization of the loan principal as well as interest charges.

Parents and graduate and professional students may currently borrow up to $3,000 a year under the program. Independent undergraduates may borrow up to $2,500 per year minus any amount borrowed that year under any other GSL program.

Under the Administration's Fiscal Year 1986 budget, the eligibility for PLUS loans would be expanded to include all students and/or their spouses,

regardless of the student's dependency or year in school. Further, student borrowers would be required to pay the interest costs during in-school, grace, or deferment periods. The Administration also proposes having the lenders establish the annual interest rate on all PLUS loans, subject to a cap of the prevailing 91-day Treasury bill rate plus 3%.

Additionally, the Federal government would no longer pay a special allowance for any PLUS loans made beginning with the 1986-87 academic year. Further, all PLUS borrowers would be charged a guarantee fee of 1%, payable to the Federal government to cover estimated defaults within the program. With these changes the Administration plans to make the PLUS program totally self-financing.

Students, regardless of financial need, with family incomes of $32,500 or more, would only be eligible for the PLUS program under the President's Fiscal Year 1986 budget. Under the PLUS program, lenders would be allowed to evaluate the student's or parent's credit worthiness. As such, many middle-income family students, whose parents are already carrying heavy debts, will not in all likelihood qualify for the program.

The Administration has estimated that 378,000 parents and students will borrow under the PLUS program

in Fiscal Year 1986, with parents accounting for 227,000 of the borrowers. In academic year 1984-85, only 56,000 students and 85,000 parents participated in the PLUS program. While numbers have increased during Fiscal Year 1985, the Administration's plan would almost triple the number of borrowers in Fiscal Year 1986.

In addition to these changes in the Guaranteed Student Loan program, the President's budget would also reduce the current reinsurance rate that is paid to state agencies from 100% to 90% on any claim that is paid on a GSL or PLUS loan made for the 1986-87 academic year. Additionally, the rate would be dropped to 70% or 50% depending on the level of each agency's cumulative net defaults relative to loans in repayment. Currently, agencies with default rates of not more than 5% receive 100 percent reinsurance. Those with rates up to 9% receive 90 percent reinsurance and those with 10% or more receive 80 percent reinsurance.

Moreover, under the Administration budget all agencies will be required to return all of their outstanding reserve fund advances to the Federal government by October 1, 1986. These interest-free reserve fund advances were originally provided to the state agencies as seed monies to help them begin their operations. These funds currently amount to about $176

million. The Administration also is proposing that the $50 million in annual administrative allowance being paid to guarantee agencies be eliminated. The cumulative effect of all these changes upon the guarantee agencies will substantially increase the portion of their overall operating costs that will have to be borne by the states or student borrowers.

All told, the Administration is estimating that it will guarantee $6.525 billion in GSL's during Fiscal Year 1986, compared to approximately $7.498 billion in Fiscal Year 1985. By comparison, is expects to guarantee $1.022 billion in PLUS loans in Fiscal Year 1986 compared to $433 million the previous year. The net effect is that all students and parents will have to pay more for student loans in Fiscal Year 1986 than they did in Fiscal Year 1985, assuming that they can find available private loan capital. Additionally, graduate and professional students with high amounts of financial need will also have their annual borrowing under the GSL program reduced to not more than $4,000 per year.

G. Other Changes Proposed

In addition to the individual program changes, the President's budget also calls for:

..All students to provide at least $800 toward their educational costs in order to qualify for

Federal aid. Work-Study/Grants could be used to provide jobs to students to help satisfy this requirement.

..The criteria currently used to determine whether a student is self-supporting would be amended so that any student who has not attained twenty-two years of age by July 1 of the award year should be deemed dependent unless that student is an orphan or a ward of the court. Students who are older than twenty-two years of age by this date must provide proof of economic self-sufficiency to become independent.

..Students who do not possess a high school degree or its equivalent would not be eligible to receive any Title IV funds.

..The cost-of-attendance criteria used in the Pell Grant program for the 1986-87 academic year will be established by the Secretary of Education.

..Beginning in 1987, the Student Loan Marketing Association will be required to repay loans previously borrowed from the Federal Financing Bank. These monies have been used as capital for GSL secondary market and other activities.

Finally, the President's budget notes that later this year the Administration will propose to replace, beginning in 1987, all current student aid programs,

except for GSL's, with a single state block grant program. States, within broad Federal guidelines, would have the responsibility for allocating this aid, and the mix of grants, jobs, or direct loans would be determined by the states and the schools.

The budget also renews the Administration's special proposal for an Education Savings Account to encourage families to save for educational expenses. Annual investments up to $1,000 per child could be made with interest and dividends tax-free; eligibility would be phased out at incomes between $40,000 and $60,000. Savings could be used to pay tuition, room, and board for full-time undergraduates between ages 18 and 26. The proposal is estimated to reduce tax receipts by $100 million in 1987 and $300 million in 1988.

The TRIO programs would be drastically cut back from the current level of $175 million to $82 million. Legislation will be proposed to restrict support to direct services for disadvantaged students, to require institutions to share in 20 percent of costs, and to make all grants non-renewable. The Talent Search and Educational Opportunity Center programs would be eliminated. EOC's provide assistance and information to about 20 percent of minority freshmen in college. The changes would drop at least 350,000 of the 500,000 students currently served (70,000 of them college

students), 41 percent of whom are black and 17 percent Hispanic.

H. Categorical Support

All Higher Education Act categorical programs would be terminated except for Title III grants for developing institutions, which would be continued at the Fiscal Year 1985 level of $141 million. Legislation will be proposed to simplify the program, require increasing matching, and make all grants non-renewable, not to exceed five years. The $46 million set aside for historically black colleges would be retained.

The Administration's "hit list" includes about a dozen programs totaling about $100 million. These programs comprise the only federal efforts to strengthen quality in higher education, although the budget documents proclaim the Administration's "dedication to the restoration of excellence at all levels of education."

The $28 million appropriated in Fiscal Year 1985 for Title VII academic facilities grants (the first funding in 14 years) would be rescinded, and no facilities, grants, or loans would be made for college housing loans, now at $40 million. Title II college library support would be eliminated, including assistance for research libraries and training grants.

Title VI international studies would be zeroed out, as would Title VII cooperative education and the small program of veterans cost of instruction grants under Title IV. The modest federal graduate support provided under Title IX would be eliminated, including some 2,000 Graduate and Professional Opportunities fellowships for women and minorities, national graduate (Javits) fellowships, public service fellowships, fellowships for minorities attending law school, and law school clinical experience grants totalling almost $19 million. The Administration also seeks rescission of the $2.5 million appropriated for the first time in Fiscal Year 1985 for Javits fellowships. Little more than a year ago the bipartisan National Commission on Student Financial Assistance reported "serious signs of distress" in the graduate sector, and unanimously urged increased federal support as "indispensable to excellence in graduate education."

The Fund for the Improvement of Postsecondary Education (FIPSE), a Nixon Administration initiative which has sponsored a broad range of reforms and innovations since 1972, would be abolished. Another program of interest to the higher education community, the Women's Educational Equity Act, is also scheduled for termination. The Minority Institutions Science Improvement program would be continued at the current

appropriated level, as would the National Institute of Education and the National Center for Educational Statistics.

II. Effect on Independent Colleges and Universities

Data are available to examine the effects of this plan on students attending independent (both private and church-related) colleges and universities. These data, gathered by the National Institute of Independent Colleges and Universities (NIICU) with support from philanthropic and corporate foundations, show that a broad range of students and institutions would be hurt severely by the $4,000 cap. More than one-fourth (27.3 percent) of all aid recipients attending independent colleges and universities would have their awards reduced by an average of $1,585 under this proposal. Even larger proportions of the lowest-income students would be affected. Forty-three percent of the students from families with incomes between $6,000 and $18,000 would have their aid cut substantially.

Almost 22 percent of aid recipients attending independent historically black colleges would lose some benefits, even though the average income of these students' families is only $9,573 per year. Since they would not be able to turn to their parents for additional assistance, campus aid officers fear that these students whose families live below the poverty level, would simply be forced out of college. If students are forced to leave independent

colleges, they will have lost their opportunity to choose the educational environment which is best suited to their aspirations and career goals. Almost a quarter of all aid recipients at the most moderately-priced (less than $4,200) independent colleges would lose benefits. Almost two of every five similar students who attend colleges with tuitions in the $6,000 range would lose benefits, and approximately one-third of all recipients attending higher-priced colleges and universities would find their aid cut.

Since almost two-thirds of current revenues at independent colleges and universities are related to the ability of colleges to attract stable numbers of students, the impact of this proposal, coupled with current pressures from shifting demographics and deteriorating physical plants, could be devastating to the financial health of many independent colleges and universities. Students would lose at least 20% of their current award.

III. Effect on Community, Junior, and Technical Colleges

Community, junior and technical colleges in the past two decades have made access to higher education a reality for millions of Americans who would not have otherwise pursued higher education and achieved upward economic mobility. In one fell swoop, the Reagan budget for Fiscal Year 1986 would make us a "Nation at Risk". The poor will become poorer, doors of opportunity will close, and higher

education again becomes the province of the financially well-off. The Reagan budget will be cheating millions of poor white and minority students out of the opportunity for a good education and forcing some to drop out of college.

Specifically, the Administration is asking the higher education community to accept a 25 percent cut in funding for its student aid programs. The proposed budget would eliminate almost all categorical programs except for the Developing Institutions Program. It would eliminate two grant aid programs and the oldest and most successful student aid program, the National Direct Student Loan program.

If the Joint Chiefs of Staff were being presented with a 25 percent cut instead of the 13 percent increase, you can be certain that there would be a battle cry heard throughout the Nation.

More specifically, the Administration's proposal would:

1. Cut the Pell Grant program by $644 million from the Fiscal Year 1985 level;

2. Eliminate 574,000 students from the Pell Grant program, most of them students with family income below the poverty line, who are trying to get their postsecondary training at the public colleges;

3. Insist that students have a high school diploma or its equivalent before receiving any federal aid, which will only push these individuals down the ladder of

opportunity several more rungs;

4. Knock out as many as 2 million students from the student aid programs as a whole;

5. Decimate three of the five TRIO programs which provide special services to students who come from financially needy backgrounds;

6. Make dependent any student who is not 22 by July 1 of the award year (regardless of marital status) unless that student is an orphan or a ward of the court. The purpose of this action is to make the parents responsible for the financing of a student's education regardless of the students' status in life.

Finally, the Administration is not requesting a $450 million supplement for the Pell Grant program but is requesting a legislative language change which would reduce, by $100, individual grants for 150,000 students and reduce, by 17 percent, awards of another 650,000 individual students.

CONCLUSION

The President's Fiscal Year 1986 budget proposes to continue the bankrupt budget priorities of the last four years. Once again, the Reagan Administration targets poor families for harsh budget cuts, while proposing huge budget increases for military defense. It is a counter-productive and irresponsible budget plan that also fails to make a significant dent in the largest budget deficit in history.

The student aid cuts will not affect only students, but

parents, schools, lending institutions, and society as a whole. It can be expected that enrollment in institutions of higher education will decline. It will be especially noticeable in minority, financially disabled, and handicapped populations. Throughout the history of education one can see the federal government supporting education progressively and presenting a positive image toward educational equality. Now in one swift proposal, they seek to destroy what it has taken so long to build. This could cause damage so irreparable that the entire educational system could feel the shock waves far into the future.

The United States Congress has been asked to approve a Federal education budget that substantially cuts higher education. If this budget is adopted, the results will be predictable. Old patterns, patterns that should cause shame, would re-emerge: Poorer students would be channeled to trade and technical schools or be condemned to entry-level occupational positions that have no exit. The nightmare of opportunity denied would again mock the American dream.

It is hard to see what the Administration's rationale for cuts can be. If the budget cuts originally proposed by the White House are passed by Congress, one million students would be directly affected. Students without any family resources would have their aid reduced. Middle-income students would become ineligible for grants or subsidized loans. Special programs to prepare disadvantaged students for college would be cut back by

over 50 percent. The student aid cuts are a disinvestment in the Nation's educational system. Look at the prospects of Louisiana for an example.

The average family income in the state of Louisiana is about $26,000 per year with a per capita income of about $7,000. When you consider just the mean tuition cost of sending a student to a Louisiana institution of higher education for one year, it can be seen that most families are unable to afford their child's education. The average tuition cost of sending a student to a Louisiana college is about $1,500 per year which is almost 6% of the family's yearly income. Without financial assistance from the government, higher education becomes a privilege to a few rather than a right of all individuals.

If the government would investigate the advantages of providing financial assistance, they would see that the cost is minimal compared to the return on such an investment. Persons with a college education are able to earn approximately $8,000 to $10,000 more, when first being employed, than those with only a high school diploma. This constitutes a higher taxable income whose revenues cycle back into the government. An individual earning 10,000 taxable dollars more per year is going to generate $1,079 back into the government's coffers, based on current tax conditions. Since the average tuition in a Louisiana institution of higher education is $1,500 per year, if the government completely financed a student's education for a year, they would retrieve their expenditures in less than two years. For four

years of education, the monetary output would be regained through 5.5 years of graduate employment. When one considers that the average individual is a productive citizen for 40 to 45 years following graduation, $6,000 for four years of education is minimal compared to the $45,000 which that person is going to pay the government. Such a figure does not even consider salary increases over the years. Nationally, it is estimated that a college graduate, over a forty year working lifetime, will provide $86,000 in tax revenue to the federal government. This is even more than predicted for graduates in Louisiana. No matter how these figures compare, financial aid to students should be viewed as an investment where profits exceed the initial investment at least seven and one half times.

The student aid cuts are nothing less than proposals to disinvest in America's future. This disinvestment would haunt our nation for decades to come.

It is believed that education should be treated the same, no better, no worse, as the most favored section of the budget. It is also believed that this Administration must learn, once and for all, that national security and educational superiority are inseparable.

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